

**'Clever, innovative and simple – a must read workbook  
for entrepreneurs!'**

*Charles Chen Yidan, Co-Founder, Tencent Holdings*

**THE**



**BUSINESS  
MODEL**



**BOOK**



**DESIGN, BUILD AND  
ADAPT BUSINESS IDEAS  
THAT THRIVE**

**ADAM J. BOCK AND GERARD GEORGE**

# Praise for *The Business Model Book*

‘To build a great business, you need a powerful business model. This book gives you all the tools to make it happen. Clever, innovative, and simple – a must read workbook for entrepreneurs!’

Charles CHEN Yidan, co-founder, Tencent Holdings

‘A rich compendium of everything you need to know about business models – and more! The frameworks, exercises and examples build essential skills for anyone considering starting or rapidly growing a business. Buy it. Read it. Most importantly, use it!’

John Mullins, London Business School; author, *The Customer-Funded Business* and *The New Business Road Test*

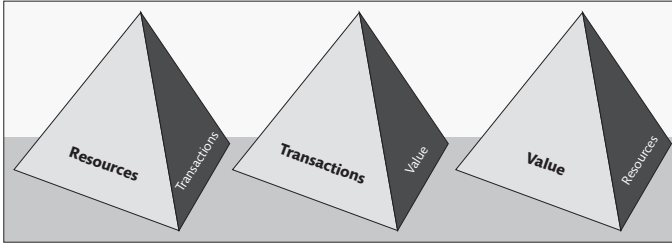
‘Gets you thinking on what value you deliver as a business and how you deliver it. This may well turn out to be your scrapbook for business models. An excellent resource that will get your ideas flowing!’

Shane Corstorphine, VP, Regional Growth (Global Regions) and General Manager (Americas), Skyscanner

# Part 2

## Business model elements – the RTVN framework

In this section, we identify the three sides of business models and learn how they fit together. It helps to imagine a business model as a triangular pyramid that can be viewed from three different perspectives: resources, transactions and values. Combined, they form the core framework for business models. This approach can be used for any organisation, regardless of stage, size or type. Of course, the pyramid has a hidden side facing the ground. That hidden side is the business model narrative, the foundation of a business model's purpose and guide for evaluating inevitable trade-offs.



### Three perspectives of a business model

Business models are *coherent* when the narrative links resources, transactions and values. Understanding coherence leads to business model maps and canvases. Once we have the design tools, the elements will also provide the framework for business model change and innovation.

# 5 Making resources work for your business

*‘The same products, services or technologies can fail or succeed depending on the business model you choose. Exploring the possibilities is critical to finding a successful business model. Settling on first ideas risks the possibility of missing potential that can only be discovered by prototyping and testing different alternatives.’*

*Alexander Osterwalder*

Although business model analysis can begin anywhere, most managers and entrepreneurs start with resources. The resource structure is the most easily identified and concrete piece of the business model (Figure 5.1). Professional managers are used to thinking about resources as part of operational and strategic planning. The other perspectives are always there, but it is useful to analyse them one at a time.

Resources are all the ‘things’ that organisations use to create value. A ‘resource-based view’ of an organisation is a powerful perspective for understanding how and why some companies are strong competitors. The resources of the organisation are, in effect, the raw materials of a business model.

As you begin to explore, design, build and adapt business models, one of your own key resources will be a business model team. These could be colleagues, friends, advisors or

other trusted experts. Your business model team helps you stay on track and develop creative ideas for your business model. Yes, there is a time investment to put the team together. But a team can build and assess business models much faster than one individual. In addition, a diverse team is much more likely to generate new and innovative business models than a solo entrepreneur or manager.

## Business model resources

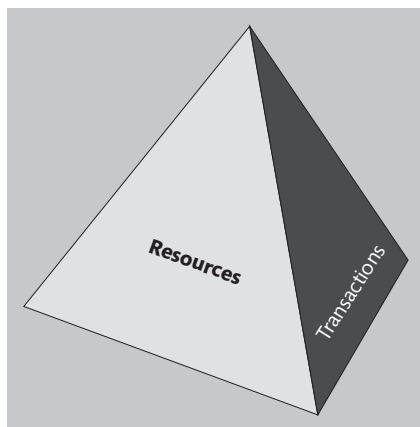
Business model resources types include assets, knowledge and capabilities. These types can also be characterised as tangible and intangible. Table 5.1 categorises organisational resources, including examples.

There are three steps to understand and assess the resource structure of a business model. First, the available and necessary resources must be inventoried, with careful attention to resource types. Second, resources must be assessed for creating business model value. Finally, we must consider whether the business model will effectively leverage and extend those resources.

Some guidelines help with resource structure analysis. First, not all resources are created equal. Even if we could put a

**TABLE 5.1** Resource categorisation

Type	Tangible	Intangible
Assets	Equipment	Relationship with supplier
Knowledge	Steps and requirements for manufacturing process; intellectual property	Experientially based information
Capability	Consistently high manufacturing throughput	Consistently high manufacturing quality



**FIGURE 5.1** The resource perspective

clear value metric on every resource, it would not guarantee that comparisons are consistent and appropriate. Some resources, such as specialised capabilities or knowledge, take time to develop. Similarly, intangible resources may not be transferable.

Second, it is essential to assess the resource structure and how it interacts with the transaction and value structures. A common mistake in business model analysis is to focus on the specific value of one or two key resources.

Finally, it is a good idea to return to the resource structure after thinking about the transaction and value structures of the business model. Because most analyses start with resources, it is very common to miss key resources or resource interactions. For example, many business model analyses underestimate the importance of key customer or channel relationships. These are usually, and correctly, considered in the analysis of the transaction structure. At the same time, those relationships are also organisational resources. They may represent months, years or decades of effort. In many cases, the other resources of an organisation may have little or no value isolated from those relationships.

## Worksheet 5.1

### IDENTIFYING KEY RESOURCES

What are the key resources in your organisation's business model? Worksheet 5.1 provides a template to quickly identify and categorise those resources. Go to the website to access the worksheet.

A key question is: 'What about *human* resources?' Clearly, people are often the most important asset of the organisation. An excellent example of recognising and promoting this can be seen on the graphics used by Crete Carrier Corporation, a truck transport company based in Omaha, Nebraska. The company used the trucks themselves to identify that the driver was a critical organisational resource with an arrow pointing towards the cab and the statement: 'Our most valuable resource since 1937'. You can see examples of this on the website.

The importance of a single person may be especially critical at an early stage venture. For simplicity, however, it is often more effective to focus on the key knowledge or capabilities those individuals bring to the organisation. The knowledge and capabilities of that unique person usually can be identified and categorised into the resource grid. This is very important for business model analysis because (unfortunately) businesses cannot always rely on a unique individual to be available indefinitely. In addition, analysing the underlying information and capabilities that make someone indispensable may also help clarify how that person's time should be utilised in the business model.

Sometimes, the key resources seem obvious. Consider the case of Cellular Logistics, Inc. As a physiology PhD student at University of Wisconsin-Madison, Eric Schmuck developed a biological material that helps heal cardiac